



GES Alert

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New form for claiming deductions /exemptions by employees and revised dates to file quarterly tax returns notified

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Background

Central Board of Direct Taxes (CBDT)¹ has notified changes with respect to the declarations to be provided by employee to claim exemptions/ deductions, revised due dates to file quarterly returns, etc.

Employees normally submit details to their employers in order to claim certain exemptions and deductions like House Rent Allowance (HRA), housing interest, deduction under Chapter VIA², etc. and thereby reduce the withholding tax from their salary income. Employers generally collect a declaration or documentary evidence from the employee prior to allowing such deductions/ exemptions. There was no specific form prescribed in which an employee needs to provide the details of such exemptions/ deductions to its employer to enable them to consider at the time of withholding of tax on salary income. A new provision³ was introduced in the Finance Act 2015 requiring the employer to obtain proofs from the employee in a form and manner as may be prescribed, prior to allowing deductions or exemptions. However, the rules were yet to be prescribed in this regard.

The changes notified are summarized below. The same are effective from 1 June 2016.

Key Changes

The summary of key changes as per the Notification are provided below:

A. Furnishing of evidence by employees for deduction of tax:

1. Employees have to provide the evidence / particulars specified below for the respective claims, to the employer in newly prescribed Form 12BB –

¹ CBDT notification dated 29 April 2016

² Deduction from taxable income like tax saving investment / expenditure under section 80C (like PF contributions, payment of life insurance premium, school fees, etc.), 80G (donations), 80D (medical insurance), 80TTA (interest income) etc.

³ Section 192(2D)

Nature of claim	Evidence / particulars
HRA	Where the aggregate rent paid during the year exceeds INR 1 lakh, the below details have to be furnished: <ul style="list-style-type: none"> Rent paid to the landlord; Name, address and Permanent Account Number (PAN) of the landlord/ landlords
Leave travel concessions or assistance (LTA)	<ul style="list-style-type: none"> Evidence of expenditure
Deduction of interest under the head income from house property	<ul style="list-style-type: none"> Name, Address and PAN of the lender Interest paid/payable to the lender
Deduction under Chapter VI-A	<ul style="list-style-type: none"> Evidence of investment or expenditure for each deduction.

2. Format of Form No. 12BB is notified wherein the above details have to be provided by the employee.

B. Filing of quarterly withholding tax returns⁴:

1. The due date to file quarterly withholding tax returns (Form 24Q, 26Q and 27Q⁵) have been extended as follows.

Sl. No.	Date of ending of quarter	Current due date	Revised due date
1	30 June	15 July	31 July
2	30 September	15 October	31 October

⁴ Employers and other deductors file quarterly withholding tax returns providing the details of payment made during the quarter and the taxes deducted thereon, as per the dates specified.

⁵ Form 24Q – Quarterly return filed by employer to report the tax deducted on salary for the salary paid

Form 26Q – Quarterly return filed by deductors to report the tax deducted on payments other than salary

Form 27Q – Quarterly return filed by deductors to report the tax deducted on payments other than salary to non-residents

3	31 December	15 January	31 January
4	31 March	15 May	31 May

2. Additional details are required to be provided by the employer in the Annexure II of Form 24Q (withholding tax return for salary) as follows:
 - i. In case of HRA claim by the employee, name and PAN of the landlord where the total rent paid by the employee during the year exceeds INR 1 lakh.
 - ii. In case of deduction of interest on housing loan, name and PAN of the lender (if available).

C. Others

1. Insertion of a provision in the quarterly tax returns (Form 26Q / 27Q):

Trustees or any person responsible under the Employees' Provident Fund Scheme for paying accumulated balance in the recognized provident fund to the employee are required to deduct tax at the prescribed rate if the amount exceeds INR 30,000. Currently there is no provision in the quarterly return forms to report the same. Provision is made in the respective forms to be filed by trustees, to report the payment of accumulated balance due to an employee and tax deducted thereon.

2. Due date to remit tax deducted on purchase of immovable property:

Buyer of an immovable property (value of which is INR 50 lakhs or more)⁶ is required to deduct tax at 1% while making payment to a resident of India. Such taxes had to be remitted within 7 days from the end of the month in which deduction is made. The due date to remit taxes has now been extended to 30 days from the end of the month in which deduction is made.

⁶ Section 194-IA

Comments

It was noticed that employers generally did not have all the relevant evidence/ details for some of the deductions / exemptions / allowance/ set off of loss claimed by their employees. Form No. 12BB has been introduced in order to provide clarity and uniformity on the declarations and supporting documentation to be submitted by the employee to the employer for the above claims.

In addition to Form 12BB, the employers should also refer to the salary circular⁷ for the documentation/ details to be obtained from the employee as the same requires the employer to collect additional details such as rent receipt for claiming HRA, computation of loss from house property and interest certificate from lender in case of interest on housing loan etc. Hence it is necessary for the employers to align the documentary requirements with the salary circular in addition to Form 12BB, while allowing exemption/deductions.

The Form does not provide for the type of evidence which can be submitted by the employee for claiming LTA, thus leaving room for ambiguity.

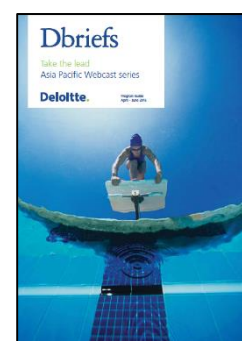
Extension of due date to file quarterly returns will provide more time to the employer/ payer of income to collate details. The due date to issue Form 16 (ie withholding tax certificate) to the employee is 31 May. Part A of Form 16 is typically generated a few days after filing the withholding tax return (Form 24Q) of the last quarter. This could pose practical difficulties for the employers to issue Form 16 by 31 May in case they file the quarterly return for the last quarter close to the 31 May deadline.

Extension of time allowed to deposit tax for buyers of immovable property will bring some relief to individuals to withhold and remit taxes by the due date.

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⁷ Circular No. 20/2015 for FY 2015-16

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